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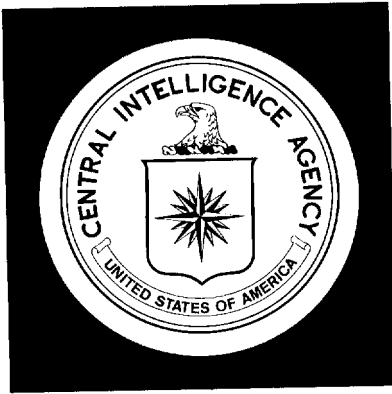
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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

**Secret**

27 April 1973

No. 0367/73

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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Summary.

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# Brandt Comes to Washington

3 f Chancellor Brandt comes to Washington next week at the pinnacle of his political power.



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### Ostpolitik

1 Little has been done on Ostpolitik since last fall. In the interim, a certain public disenchantment has arisen with restrictive Soviet interpretations of the West German - Soviet treaty and with East German reluctance to improve relations. Ostpolitik is Brandt's principal sphere of operations, for he lacks comparable room for maneuver in Western affairs and domestic politics. As his election victory last fall demonstrated, he has developed a dependency on Ostpolitik, and this means in effect dependency on Eastern good-will. Good relations with Bonn remain an important component of Moscow's broader interest in detente, so the Soviet leadership is not likely to abandon Brandt on Ostpolitik.

2 Ostpolitik may soon be given new momentum. Soviet party leader Brezhnev will make a visit to West Germany on 18-22 May, the first ever for a Soviet leader. Just before that, the Bundestag probably will ratify the inter-German Basic Relations Treaty, opening the way for both German states to apply for UN membership. Work is under way to draft a non-aggression treaty with Czechoslovakia, one of the final braces in the Ostpolitik treaty edifice. This would open the doors to diplomatic relations not only with Prague, but also with Budapest and Sofia.

### In Washington

1 Brandt will undoubtedly discuss his Ostpolitik in general terms during his visit in Washington, but he probably will want to spend most of his time reviewing bilateral relations and East-West security questions.)

2 He has been concerned by the charges of the opposition parties and conservative press that he has allowed relations with the US and the West in general to deteriorate and that he has permitted the left wing of his own party to fan anti-American flames. He has publicly rebutted these charges, but he is intent on reassuring US leaders of Bonn's primary interest in maintaining the closest ties. Thus, he will probably offer support

to US positions on many key security, trade, economic, and other important questions.)

2 Brandt, however, will also seek reassurance that, East-West detente and improved US-Soviet relations notwithstanding, the US intends to remain active and present in a significant way in Europe. He will emphasize that Bonn attaches great importance to avoiding unilateral cuts in US troops. He undoubtedly will explore how negotiations on mutual and balanced force reductions fit into the general framework of US foreign policy toward Europe and the USSR. He presumably will underscore Bonn's desire that any reductions agreement be accompanied by another placing constraints on the military activities and political uses of Soviet forces in central and eastern Europe.)

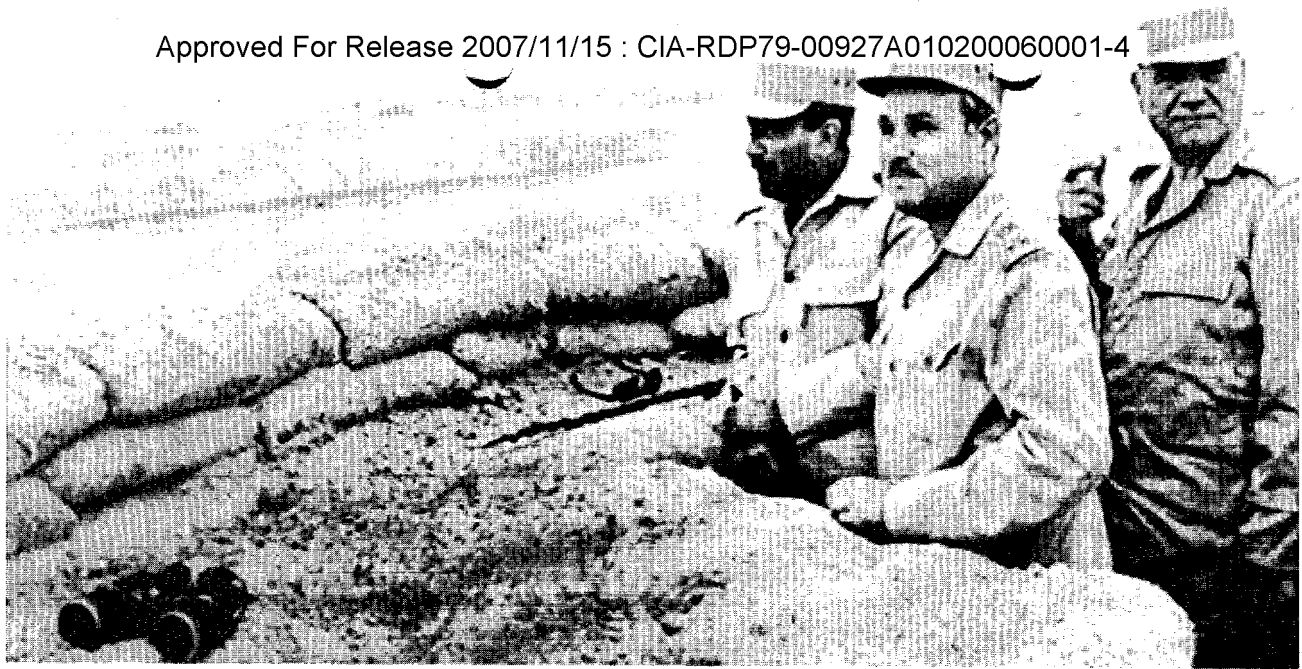
2 Brandt also is likely to push for a more intensive dialogue on strategic arms limitation matters between the US and its NATO allies. Brandt is concerned about US-Soviet discussions of forward based systems and will probably seek assurance that the US will take full account of the views of Bonn and other West European capitals. The chancellor reportedly also wishes to discuss the Middle East and Southeast Asia. He will raise the topics of West Berlin and the Soviet Union's strict interpretation of the Four Power Agreement on Berlin. Brandt will probably outline for US officials how he expects to discuss this subject with Brezhnev.)

Brandt will be the first European head of government to visit Washington following Dr. Kissinger's exposition this week of US policy toward Europe. The West German Government's initial reaction was "positive, but wait and see," and it will not have had time by next week to digest thoroughly all of the policy's implications. Brandt will probably express over-all approval and probe for clarification. He will welcome the clear statement of US intention to remain involved in European affairs and to avoid unilateral troop reductions. On the other hand, he may voice concern over the practical links Washington sees between its military presence in Europe and economic relations with the EC.

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#### AT THE UN

#### Sadat Visits the Front

19 } The Security Council required nine days to  
produce a condemnation of the Israeli raid on  
20 Lebanon but only a few hours to approve a re-  
view next month of the Middle East situation.  
The first resolution merely lengthened the list of  
UN deprecations of such violence; the second  
committed the council to reopen the full range of  
Middle East issues.

19 } The circumstances that produced the  
lengthy debate on the Lebanese resolution ensure  
20 that next month's reappraisal will be equally  
agonizing. The Arabs, frustrated with the Middle  
East stalemate, see the UN as one of the few  
instruments they have to bring pressure against  
the US. Encouraged by what they see as their  
success last week and convinced that any change  
must be to their benefit, the Arabs are likely to  
trot out all their short- and long-term grievances.

19 } The Soviets and Chinese will compete for  
recognition as the more ardent champion of the  
20 Arabs. Last week, the USSR went further than  
the Arabs in proposing Israel's expulsion from the  
UN, and both the USSR and China characterized  
as too mild the compromise resolution accepted  
by the Arabs.

19 } Judging by their performance last week, the  
so-called non-aligned states also will give enthu-  
siastic support to Arab causes. In particular, the  
20 Africans were incensed by what they saw as

Lebanon's capitulation to US pressures and will  
be ready for stronger action next month. France  
and Britain cooperated with the Arab states last  
week and probably will do so again. It is possible  
that some of the fireworks averted in the last-  
minute compromise on Saturday may have been  
simply postponed until next month.

#### Reactions

20 } The Security Council resolution met Leb-  
anon's minimum domestic political requirements  
and should help to damp down anti-government  
sentiment aroused by the Israeli raid. Egyptian  
officials probably feel that to some extent they  
succeeded in making the situation difficult for  
Washington, thereby registering their unhappiness  
with US policies. Cairo may have already begun  
to orchestrate a further series of threatening  
words and gestures in preparation for the meeting  
next month.

20 } If nothing else, these displays provide the  
Egyptians with an excuse for postponing difficult  
decisions about what to do next. As for Israel, its  
foreign minister was critical of the Security  
Council's inability to condemn Arab terrorism  
specifically, but gratified that a general con-  
demnation of Arab terrorism was expressed in a  
resolution for the first time.

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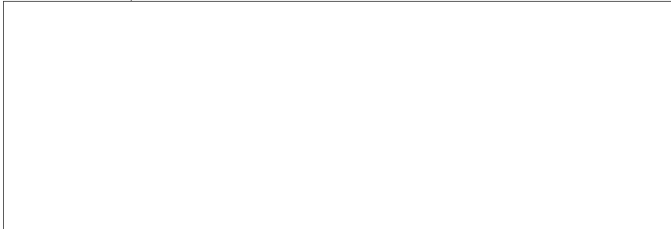
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## INDOCHINA

### COMMUNIST INTENTIONS IN VIETNAM

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21P Although there are persistent reports that the Communists will step up the pace of military activity during the next few weeks, there is little evidence that much more than localized action is planned.



21P There is evidence that the Communists have actually been reducing their forces, at least in the northern provinces. The Communists probably consider that their existing main force units in most regions of the South are fully adequate for the defense of the areas they control and for conducting limited offensive operations. They allegedly believe that their main forces in Tay Ninh



Province, for example, are "very strong" and have an "overpowering" artillery capability. These forces, nevertheless, are to restrict their duties to small-scale attacks in an effort to deplete government ranks and keep South Vietnamese forces tied down.

21P Most of the evidence indicates that spoiling actions are what the Communists have in mind at this point. Such operations might also improve the Communists' access to certain key areas and neutralize troublesome government strongpoints close to Communist base areas and supply routes. South Vietnamese military commanders in the northern provinces believe that recent Communist shellings and ground probes against positions along Route 1 north of Hue, for example, were designed to open up North Vietnamese supply routes to the coastal lowlands and to acquire forward staging points.

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### Little Fighting

22 Fighting in most of the country this week was the lightest since the start of the cease-fire. The Communists did slightly improve their position west of Hue by forcing the government to abandon a former fire-support base that had served as its westernmost listening post.

22 The sharpest engagements during the week were again in the southern half of the country. Communist units maintained pressure on the beleaguered Tonle Cham ranger camp in northern Tay Ninh Province, but show no inclination to make an all-out drive against the camp. Discussions to arrange a truce at Tonle Cham are continuing in Saigon.

22 There was some fighting in the delta around the border entry point at Hong Ngu. South Vietnamese forces trying to clear the Communists from the area have met stiff resistance. Government commanders claim that additional enemy main force units are being moved into the area as reinforcement.

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### Some New Airfields

22 {The North Vietnamese are repairing a number of small airfields under their control in South Vietnam and Laos. Most of these fields are along major infiltration routes or near large Communist troop positions. The most extensive construction is at Khe Sanh, where the North Vietnamese have established a radar site, a new runway, and an elaborate air-defense network. The Communists could use these airfields to deliver high-priority cargo such as medicine, special weapons, and key personnel, claiming that such delivery flights were by "civilian" aircraft and therefore not in violation of the cease-fire accords.}



Canadian officer with ICCS in Vietnam

### The Future of ICCS

24 {The outlook for an effective ICCS remains gloomy. Although Saigon is not blameless, the Communists have actively obstructed the commission and have shown little concern for the repercussions, public or private. US demarches to the Hungarians and Poles, asking their cooperation, have so far done little more than prompt them to adopt slightly more sophisticated methods of hamstringing the ICCS.}

24 {Reports that the Canadians, unhappy with the ICCS, are considering withdrawal have upset the Indonesians. Officials in Jakarta are voicing the possibility that Indonesia will have to reconsider its position if Canada withdraws and the situation in Vietnam does not improve. Jakarta is privately disappointed in the ICCS; public statements that its representatives may withdraw are designed to induce the parties involved to be more forthcoming.}

25 {If the Canadians do withdraw, it would be difficult to find a replacement who would act as forcefully as Ottawa. Efforts by any successor to get the situation off dead center would be hamstrung by the reluctance of the Poles and Hungarians to take a critical stance against Vietnamese Communist transgressions.}

25 {If the Canadians are not replaced, it is unlikely that the remaining ICCS machinery would continue to function in any practical sense. Over the short term, this would not have any serious effect on the battlefield. Communist military restraint has been linked more directly to its estimate of South Vietnamese and US reaction capabilities and intent than to the ICCS presence.}

### No Progress in Paris

26 {The bilateral talks in Paris remained deadlocked this week. The Viet Cong refused to accept a new peace proposal by the Thieu government calling for the withdrawal of all "non-South Vietnamese" armed forces and the demobilization of an equal number of Saigon's troops. The proposal suggests the Council of

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National Reconciliation and Concord would then be convoked to prepare for an election in late August of an organization "representing the South Vietnamese people" to decide the political future of the country. The election would be observed by international groups. Finally, the Thieu government would lift all "wartime restrictions" on personal and political rights.]

31 [The National Assembly and the Senate have also approved the new arrangement. As long as the council reigns, the two houses—which are made up almost exclusively of members of the pro - Lon Nol Socio-Republican Party—evidently will limit themselves to such mundane business as aid to refugees and other war victims and the organization of new legislative elections to be held "when security conditions permit."]

27 [The Thieu government regarded the proposal as "not substantially different" from previous offers, and the government apparently expected a rejection by the Viet Cong. The proposal was designed mainly to convey the impression that Saigon is trying to reach a final peace settlement, particularly within the first 90 days of the cease-fire, as urged in the Paris Agreement. A member of the Saigon delegation in Paris who conferred with President Thieu last week told the US Embassy in Saigon that he believes Thieu would actually prefer to keep competition with the Communists in the military sphere, where he believes Saigon is strongest.]

30 [The initial task of the new council presumably will be to form a new cabinet. From all indications, the cabinet will play a secondary role to the council and will consist primarily of technicians. Its selection should provide the first clues to the ability and willingness of council members to put aside past political differences and to work together toward solving the country's myriad problems. Matak, In Tam, and Cheng Heng have all had run-ins with Lon Nol over the President's refusal to delegate authority. Now that they each have an equal share in government decision-making, that problem may be reduced.]

29 [In Saigon, the two sides did agree this week on an initial exchange of civilian prisoners. After a long deadlock, the Two Party Joint Military Commission made arrangements to exchange 750 civilians held by the Thieu government for 637 held by the Viet Cong. The commission has been unable to make any progress on other issues.]

### The Military Situation

[While the political maneuvering was going on, Khmer Communist forces edged to within a few miles of Phnom Penh. At midweek, some Communist elements had temporarily installed themselves on the east bank of the Mekong River opposite the city. In addition, the Communists

### CAMBODIA: A FRESH START

31 [After a week of negotiation, President Lon Nol on 24 April formally agreed to the establishment of a four-man "high council" to rule the republic by decree for at least the next six months. Lon Nol will serve as chairman of the new body, whose other members will be Republican Party leader Sirik Matak, former first deputy prime minister In Tam, and former chief of state Cheng Heng. Each of the four reportedly will have an equal voice in making decisions on all important policy matters. The President accepted the four-man formula after Matak and the others rejected his proposal for the creation of a larger and essentially powerless council.]

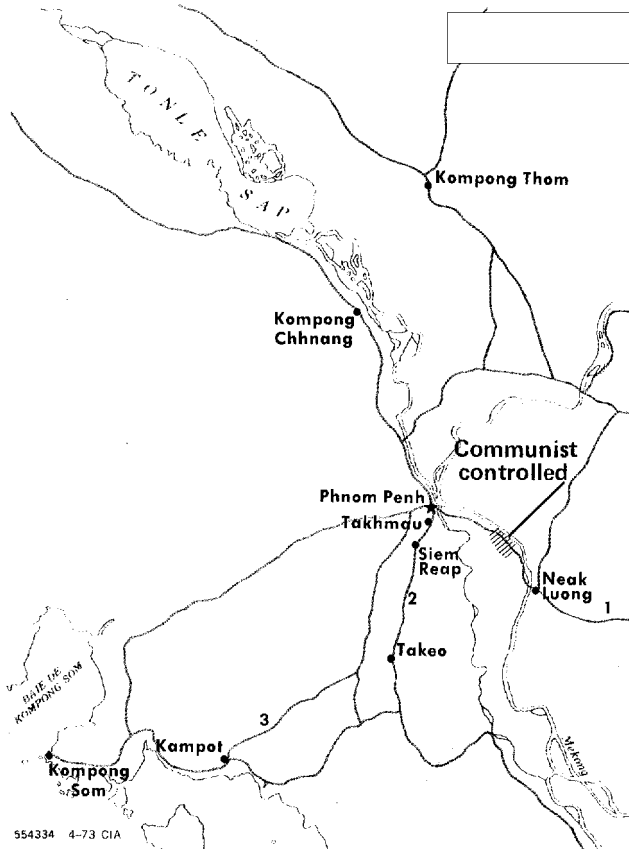


The National Assembly  
Limited to mundane business

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Khmer Communists were unable to prevent the passage of another resupply convoy up the river from South Vietnam to Phnom Penh. The convoy arrived in the capital on 23 April, delivering approximately 400,000 gallons of fuel as well as supplies of ammunition and food.]

3) [In the south, the Communists continued to direct 105-mm. howitzer fire on the isolated provincial capital at Takeo and to probe that town's defense perimeters—despite heavy US air support.]

#### LAOS: ANOTHER FRESH START

35 [Early this week, Radio Pathet Lao interrupted its litany of alleged cease-fire violations to announce that chief Communist negotiator Phoumi Vongvichit had left Sam Neua en route to Vientiane.] His return presumably will mean the resumption of private discussions with Prime Minister Souvanna Phouma. The two leaders personally worked out the important elements of the peace agreement signed in February. The announcement of Phoumi's return closely followed a visit by the number two Pathet Lao leader, Nouhak Phoumsavan, to Hanoi and Peking. He may have taken part in political strategy sessions with the Chinese and North Vietnamese.]

carried out their heaviest rocket attack on the city's airfield since January, and also kept up sporadic attacks on Takhmau, Phnom Penh's large southern suburb.

3) [At the beginning of the week, the Khmer Communists again cut Route 1 between Phnom Penh and the Mekong. They now control about eight miles at the lower end of that highway. Despite their proximity to the Mekong, the

36 [In Phoumi's absence, his subordinates have kept up a dialogue with government officials in Vientiane. Although these lesser negotiators are not empowered to conclude any binding agreements, a little progress has been made on political matters. The Communists, however, have maintained a tough line on supervision, cease-fire demarcation, and other military proposals. The current Communist negotiating strategy should quickly unfold once Phoumi sits down with Souvanna.]

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**SECRET****JAPAN: CHALLENGE FROM THE LEFT**

The defeat of a Liberal Democratic incumbent in the Nagoya mayoralty election on 22 April is another sign of declining support among city voters for the domestic policies of the ruling conservatives. Japan's five largest cities, which hold 25 percent of the country's population, are now in the hands of candidates elected with the backing of the Socialist and Communist parties. While these men are not controlled by the Socialists and Communists, they bestow patronage on the two parties and thus strengthen their political machines for the more important national Diet elections.



Prime Minister Tanaka  
*A psychological blow*

The Nagoya mayoralty election marks the first victory for Socialist-Communist cooperation outside the Diet since those parties made major gains in last year's Lower House elections. Still, the broader goal of unifying the four opposition parties for local contests is far from being realized. Socialist-Communist cooperation itself will face increasing strain as each party fights for supremacy in the Tokyo assembly elections this summer and for control of the opposition camp in the Diet.

The Nagoya voters used the opposition party candidate to protest what they believe to be ruling party preoccupation with rural and big business interests. Although the Japanese speak of Nagoya as the most conservative of their big cities, the Liberal Democratic setback was not unexpected. Last December, the Communists picked up four new Diet seats in the city, and the Liberal Democrats failed in two of the city's multi-member districts to return a single candidate.

The loss was a psychological blow for Prime Minister Tanaka, who campaigned personally in Nagoya. Members of the Liberal Democratic Party who are aware of predictions that they could lose their majority in the Upper House next year will place Tanaka under increased pressure to address urban welfare and environmental protection problems.

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**PHILIPPINES: LOOKING FOR AID**

During the first seven months of martial law, President Marcos was deeply involved in domestic affairs. Although most of his highly touted reforms are still on the drawing board, Marcos is now directing his attention toward the future course of foreign policy, particularly relations with the US. On 10 April, he convened a blue-chip committee of foreign-policy experts and asked them to explore how foreign policy could be used as an "instrument of economic development."

The increased interest in foreign policy stems in large part from Marcos' concern about

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the sluggishness of the economy and his belief that increased foreign investment and aid are imperative for the success of the "New Society." At the same time, he surely finds it expedient to distract public attention from his inability to make good on promises of sweeping reform.]

41 [Raising the issue of relations with the US is a time-tested tactic of Philippine presidents, and Marcos has succumbed again. He told newsmen that he wants to renegotiate all aspects of Philippine relations with the US—the base agreement, the mutual defense pact, the Laurel-Langley trade agreement, and a proposed extradition treaty.] This is the third time in the past nine months that Marcos has publicly called for such a re-examination—without fixing a date for talks. By hinting that changes are necessary, Marcos probably hopes to induce Washington to be more generous on aid.]

41 [Marcos has also tried to put the question of recognition of China and the Soviet Union in an economic context. He has suggested that the two states represent new markets for Filipino products and that Moscow might be interested in helping exploit local natural resources, particularly the country's presumed oil deposits. The thesis is questionable. The Philippines have few items to trade, and Moscow has shown no interest in investing in Philippine natural resources. Marcos may believe that by threatening to "open" his country to non-Western exploitation he can encourage US business to invest more heavily in Philippine enterprises. Earlier presidential decrees liberalizing the terms for foreigners doing business in the Philippines have not fully offset the suspicions of foreign investors about the country's stability and investment climate.]

#### THAILAND: CHECKMATE

45 [Communist insurgents have once again weathered Bangkok's annual counterinsurgency campaign, but they continue to be hampered by their failure to develop broad political appeal.] What appears to be evolving, for all practical purposes, is a standoff in the countryside between the Communists and the government.]

44 [The army's usual means of tackling the insurgents has been large-scale, short-lived campaigns using tactics that in most instances have proved ineffective in jungle warfare. This year, the army revised its tactics to include greater emphasis on small-unit patrols and intensified village security measures. Any expectation of better results received a sharp setback, however, when Bangkok decided to contain rather than confront the insurgents. As a result, the two-month campaign just concluded was dubbed a "training exercise" and, naturally, it produced few results.] Army commanders, with few exceptions, steered clear of areas in the north where Chinese-armed hill-tribe guerrillas have in the past been more than a match for Thai troops.]

43 [In the northeast, where the insurgent military threat is less formidable, government operations disrupted insurgent supply channels, but only temporarily. No permanent damage was done to the Communists' nascent political apparatus, which now extends into some 400 villages in areas of the northeast where the Communists have long held sway. Bangkok has tried to counter Communist influence with a pilot project in Na Kae District—the most seriously affected area in the northeast. Local observers report the project continues to suffer from bureaucratic paralysis and incompetent officials.]

42 [The Communists' inability over the past several years to significantly expand their territorial holdings beyond their old stamping grounds in the north and northeast may in part explain why Bangkok has been reluctant to mount a more determined effort to root out Communist influence. In any case, the decision to go for containment shows that Bangkok does not consider the high costs in men and materiel required to clear the insurgents out of their redoubts justifiable from either a political or military standpoint. Bangkok is not likely to change its attitude until such time as the Communists demonstrate a broadened appeal to the Thai body politic. There is, however, no evidence that the Communists are any nearer to that goal than they were eight years ago, when the first shots were fired in the northeast.]

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Production corps members  
preparing for nuclear test.



### CHINA: CIVILIANS AGAIN

409 [Units of China's paramilitary Production Construction Corps in southern China are being returned to civilian control. The shift is apparently part of a program, extending over the past year and a half, to disengage the Peoples Liberation Army from activities not directly associated with its principal military role.]

young Chinese were sent to rural areas and assigned to the production corps for better control of their activity.]

415 [Several of the changes that have taken place since the Cultural Revolution were pro forma. Communes and state farms, for instance, were simply redesignated as corps units and army personnel were put in charge. The function of the farms and communes remained the same. Many of them apparently were added to the corps to provide military control and not to expand military capability. There was little indication of any increased military training within the new corps units.]

415 [Units of the production corps in south China would be more likely to be returned to the civilian sector because those in the north along the Soviet border have important defense responsibilities. Corps units in the north take part in more military training and are under stricter discipline than those in the south.]

419 [The Production Construction Corps has been generally associated with land reclamation and industrial projects. Regiments in the corps vary greatly as to military equipment, extent of training, and discipline. The organization, established in Sinkiang in the early 1950s, now has units in all regions of China and an estimated strength of 4.5 million.]

419 [Originally controlled by the State Bureau of Land Reclamation, the corps became part of the Peoples Liberation Army during the Cultural Revolution. Its major growth came after the Cultural Revolution, however, when large numbers of

419 [The corps has provided Peking with a number of important benefits. It is a back-up force for defense, a productive organization in both agriculture and industry, and an instrument for extending the influence of the central government among minority nationalities. Even if it has been discredited by being publicly associated with Lin Piao, the corps will probably be maintained perhaps under some other name and with a different organizational structure.]

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**SECRET****INTERNATIONAL MONEY**

(No SOURCE)

The European joint float has been stable in recent weeks, but this has required substantial central bank intervention, especially by West Germany. Bundesbank sales of French, Belgian, and Scandinavian currencies, the stronger currencies in the float, have amounted to over \$600 million since 19 March, according to a London financial publication.

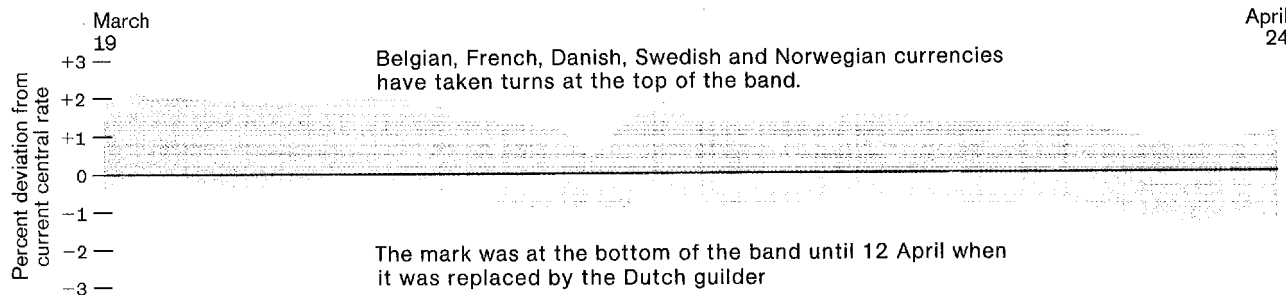
The mark, the weakest currency for the first three weeks, has strengthened, presumably because of the tight money policy followed by the Bundesbank to curb inflationary pressures. A continuing strong export performance probably will further strengthen the mark. The Dutch guilder, on the other hand, has slipped steadily since it began floating, and is now at the bottom of the European band. Money that moved into the Netherlands before the float is now moving out as new Dutch capital controls have increased the cost of holding guilders. In the past ten days, the Dutch central banks sold approximately \$100 million worth of Scandinavian and Belgian currencies in support efforts. The Swedish and Danish crowns, among the strongest currencies in the float so far, are more likely to cause trouble. Spiralling inflation and worsening balance of payments positions make the Danish crown particularly likely to depreciate.

The yen, floating separately, has also weakened somewhat relative to the dollar in recent weeks. A surge in imports, and movement out of the country of large amounts of long-term capital and of some short-term funds have all

contributed to a rising demand for dollars. The Japanese central bank has sold over \$350 million in the last two weeks in order to keep the yen's value from slipping further, boosting its total sales since 19 March to about \$1.3 billion.

West German authorities express reasonable satisfaction with the joint float. Bundesbank spokesmen have even indicated that it will be maintained until the US balance of payments is in equilibrium; they probably mean at least a year. Nevertheless, there is some skepticism in Europe about the longer term feasibility of the float. The skepticism is justified by divergent balance-of-payments trends and by the billions of dollars available for transfer among currencies. There have also been problems in operating a mutually satisfactory currency support mechanism among the European central banks participating in the joint float.

The dollar devaluation and subsequent exchange-rate changes have made dollars considerably more attractive than two months ago. The dollar also has been strengthened by the narrowing gap between US and European interest rates; this tends to discourage movement of short-term capital from the US to Europe. Large US trade deficits in the early part of the year acted as a check on the rising value of the dollar, but the strong March performance should contribute to further strengthening.

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25X1**The Joint Float Band**

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## EUROPE

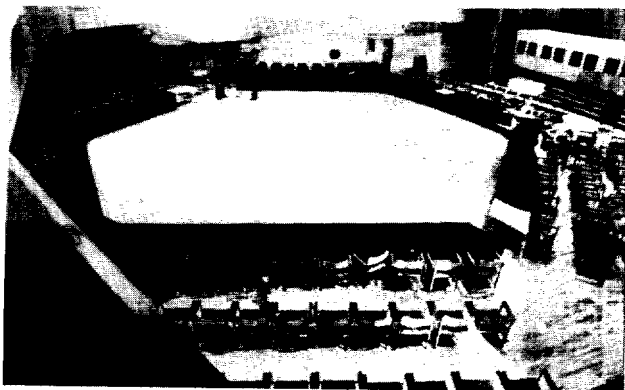
### PROGRESSING SLOWLY

The preparations for a Conference on Security and Cooperation in Europe and for Mutual and Balanced Force Reduction talks have reached a turning point.

In Helsinki, the fourth and probably last round of preparations for a security conference began this week. Prospects are still good that the actual conference will get under way in late June. First, however, East and West will have to compromise on how to treat certain agenda items at the conference.

In the final days of the third preparatory round, Moscow took an unexpectedly hard line on "human contacts," a subject the West considers among the most important on the agenda. The Soviets apparently did so as a tactical response to some Western delegations who wanted to go slow on topics of special interest to Moscow like "the inviolability of frontiers." The Soviets may also have been irritated because their scheme for post-conference machinery had been slighted.

Moscow's tactics, however, only served to strengthen the resolve of the allies. Most of them agree that they should not make concessions until the Soviets show more flexibility on "human contacts," and they have urged the US to stand firmly on this and other issues. Many allies have made plain that they will not be content to "agree to disagree" with the Soviets on the agenda.



Conference Table in Helsinki

In essence, both sides will have to decide whether their agenda objectives are worth the risk of delaying the conference itself. If agreement cannot be reached to begin in June, the Soviets could refuse to set a date for starting the force reduction talks.

In Brussels, the North Atlantic Council this week moved toward agreement on the Soviet proposal to end the impasse over Hungarian participation. This issue has held up the initial force reduction talks for nearly three months. The British decided to accept the proposal, but they still have strong reservations about it. None of the allies is really happy with it.

The Soviet proposal would list Hungary as a "special participant" and provide for unilateral statements by both sides to make explicit their disagreement on Hungary's status. Most allies feel that the proposal is the best that can be extracted from the Soviets and that, in effect, it leaves Hungary's status in abeyance, as the West wishes.

The British, however, fear that listing Hungary as a "special participant" would represent a fait accompli unaffected by the separate statements. The British believe that the question of Hungary's status will have to be raised again in the actual force reduction negotiations. Particularly, they want to discuss Hungary's inclusion in an area to which "constraints" would be applied so that the Warsaw Pact could not circumvent force reduction agreements by putting more Soviet troops in Hungary. The West Germans have expressed similar views, and most of the other allies share them.

The British are insisting that the allies take a somewhat stiffer line in Vienna when they try to put the finishing touches on the procedural agreement with the Soviets. There thus could be some delay. Before adjourning, the conferees will also attempt to schedule the force reduction negotiations, probably this fall in Vienna, and perhaps work out an outline of what will be discussed.

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## URANIUM ENRICHMENT COMPETITION

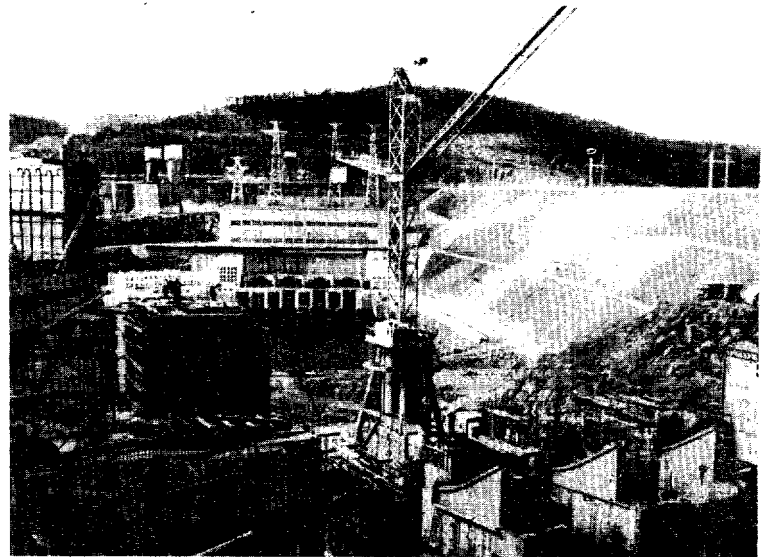
(NE SOURCE)

The US faces competition from the USSR and other countries for a share of the \$1 billion annual market in uranium enrichment services that will be needed by non-Communist countries by 1985. A recent increase in the US price of enrichment services, along with a proposed stiffening of US contract terms, have given West European countries an incentive to compete in this market. The EC Commission has recently re-emphasized the need for an EC enrichment capability by 1980-85 to provide an assured source of nuclear fuel for West European nuclear power plants to complement that supplied by the US.

The USSR, which has been actively seeking contracts, probably will have excess enrichment capacity equal to at least 20 percent of the anticipated unsatisfied demand in the West—principally Europe and Japan—in 1985. Moscow has promised to provide enrichment services under more flexible conditions and at more attractive prices than the US. Relatively cheap Siberian electric power, abundantly available to Soviet enrichment plants, is an important factor in keeping their operating costs low.

The Soviet Union has a small contract with France and has approached other Western countries. Moscow recently made detailed offers to Italy and West Germany, met with the Swiss, and has agreed to discuss enrichment with Sweden next month. Overtures reportedly have also been made to Belgium and the Netherlands. The Soviet offers undoubtedly stem from a desire to earn foreign exchange, but a Soviet official has privately suggested that stiffer US terms and increased prices will encourage more countries to build enrichment facilities and weaken controls over proliferation of nuclear weapons.

France is ambitious to enter the enrichment business. Last month, Paris offered to perform enrichment services for Bonn. The French, how-



Hydroelectric Plant in Vilyuysk  
*Power to spare*

ever, do not have the capacity to perform the amount of enrichment reportedly offered, and costs at Pierrelatte are much higher than those at US or Soviet plants. The French have been advocating a European enrichment plant based on their gaseous diffusion technology. Interest among other European countries in such a scheme has declined recently, since the initial investment would be very large and the high cost of electric power raises doubts that such a plant could be competitive. On the other hand, the tripartite centrifuge group—West Germany, the UK, and the Netherlands—now believes its enrichment process can compete with the US even sooner than expected. The group recently announced that the planned size of its first two demonstration plants would be increased by a third. Even with the increase, however, the demonstration plants' capacity will be small. The most optimistic estimates for future production by the tripartite group project a total capacity still well below Europe's needs in 1985. South Africa, Japan, and Australia are also possible entrants into the uranium enrichment market.

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### UK: A MODEST SUCCESS

54 The government's anti-inflation program has had some success in holding down the rise in prices of manufactured goods, but pressures on prices are likely to increase. Since the price and wage freeze was put into effect last November, wholesale prices of manufactured goods for the domestic market have risen at an annual rate of 4.5 percent, about half the rate in the preceding four months. If manufactured foods were excluded, the wholesale price index would have risen at an annual rate of only 2.5 percent. 57

55 The government launched its price and incomes policies at a key moment in the annual round of wage negotiations. Miners, workers at 57 Ford plants, London dock workers, gas workers, and railwaymen were demanding wage increases ranging from \$7 to \$25 a week. All recent contract settlements, however, have adhered to government guidelines, which hold weekly increases to about \$2.50 plus 4 percent. }

56 Although the line has been held so far on wages, producers are facing cost pressures from sharply rising raw material prices. The cost of fuel and other basic materials has risen at the phenomenal rate of 45 percent a year since November, with wool, copper, and food prices leading the way. UK adherence to the European Coal and

Steel Community pricing system soon will add to the pressure on steel prices. The removal of government subsidies called for by the EC pricing system has spurred the British Steel Corporation to increase prices by 9.5 percent. Steel-using industries also have called for price increases. }

56 If price increases accelerate in coming months, the drop in the real wages of labor, combined with incipient labor shortages, will add to future wage demands. A pickup in the growth of industrial output to an annual rate of 8.4 percent during the December-February period, already has led to a shortage of skilled workers, particularly in the electrical and mechanical engineering industries. Such shortages will strengthen the determination of the high-powered engineering union to stick to its guns in seeking a \$25-a-week pay increase when its national contract expires in August. 25X1 25X1

### ICELAND: FISHING AND BASES

60 The government coalition, beleaguered by the opposition and torn by internal dissent, is angling for US support in Iceland's fishing dispute with the UK and West Germany. Prime Minister Johannesson has gone so far as to threaten to take a neutral position on the NATO base issue if Washington remains a bystander in the Cod War. }

58 The leaders desperately want to resolve the fishing dispute with a clear-cut victory to counter the record of compromise that has stigmatized their government. Earlier this year, Reykjavik said it wanted a used US Coast Guard cutter to augment its small patrol force engaged in the Cod War. US reluctance to make such a vessel available prompted the prime minister to threaten to withdraw Progressive Party support for bilateral negotiations aimed at retaining the base at Keflavik. }



Croydon Gas Works

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58 Foreign Minister Agustsson notified the US Embassy recently that he intended to ask parliament to invoke Article VII of the current treaty covering the base. There are different legal interpretations of what would happen then, but the move could start an 18-month clock leading to the complete withdrawal of US forces from Iceland. Article VII calls for a NATO review concerning the base within six months. Then, if either party were to decide that the base should be vacated, a year would be allowed for the withdrawal.]

59 [The Cod War heated up this week. British trawlers began cutting the trawl wires of Icelandic fishing boats. When Icelandic Coast Guard boats intervened, the British trawlers attempted to ram them, and at least one Icelandic patrol boat was damaged. The crew of another used rifle fire to ward off British vessels attempting to ram it. Bullets reportedly struck the hull and bridge of three British trawlers, but no one was injured.]

60 [Such incidents may bring increased Icelandic pressure to involve the US in the fishing dispute. Johannesson told US diplomats in Reykjavik recently that with "one crook of Washington's little finger," the British would desist and so would the West Germans.]

tionally avoid summer elections, and this one should be no exception. The calendar is full of events that would make a summer election unappealing: Queen Elizabeth's visit in July, the Commonwealth heads of government meeting in Ottawa in August, and several federal-provincial conferences.] [In addition, recent Gallup polls showing a loss of support for the Conservatives and their leader Robert Stanfield are likely to make them less than eager for an early election.]

The Liberals hope to improve their parliamentary record by the fall. They will be pushing—along with their informal partner, the New Democrats—such popular legislation as reduction in personal income taxes, welfare reform, and campaign financing restrictions. These measures might improve the Liberals' election prospects, but they are likely to also improve the New Democrats' prospects too. The result, if pushed to an election, could be another stalemate.

65 [Although Trudeau apparently can maneuver around the troublesome tax issue for some time, next month he will have to make a hard decision on Canadian participation on the International Commission for Control and Supervision in Vietnam beyond 30 June. The current situation in Indochina is making many Canadians uneasy about their country's role in the commission. External Affairs Minister Sharp came under the gun in Parliament last week because of the downing of a commission helicopter and increased hostilities in the region.]

## CANADA: LYING LOW

64 [Prime Minister Trudeau has put off a hard legislative test simply by not presenting a controversial bill cutting corporate taxes to Parliament. Encouraged by his rising ratings in public opinion polls and by lower unemployment statistics, Trudeau has apparently decided to try to avoid an election until this fall. He may well succeed.]

64 [The government is still committed to the corporate cuts, but it can control the timing and form of the legislation. It may introduce the bill after Parliament returns from Easter recess on 7 May, confident that the bill will be buried in the legislative process until the summer recess.] [The government's chances of holding out until then appear to be better than even. Canadians tradi-

64 [Canadian newspapers are giving wider coverage to events in Indochina, and press commentary reflects a generally pessimistic mood about the efficacy of the Canadian role. Although domestic pressure to withdraw is increasing, it still appears manageable. The Trudeau government's estimate of the effect of a pullout on Canadian-US relations will continue to be the overriding factor. Some Canadian politicians contend that, since American POWs have been repatriated and US troops withdrawn, a Canadian withdrawal from the commission would not unduly upset Washington.]

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### USSR

#### SHELEST UNDER THE GUN

10 [Politburo member Petr Shelest came under sharp attack last week for his performance while party boss of the Ukraine. He was accused of fostering nationalist conceit, promoting incompetent officials, and behaving arrogantly. This criticism of a politburo member, unparalleled in the post-Khrushchev era, came on the eve of a central committee meeting in Moscow and suggested an effort to force Shelest out of the politburo.]

11 [The April issue of the party theoretical journal, *Kommunist Ukrainy*, carried a slashing editorial review of a book Shelest wrote in 1970, *Our Soviet Ukraine*. The journal complained that Shelest exaggerated the importance of the Ukraine in the Soviet community and failed to give credit to the Russian people and to Russian culture in the development of the Ukraine. It said he treated the economic successes of the Ukraine in isolation, rather than as an integral part of a "unified economic complex." Such mistakes, the journal charged, nurture nationalist illusions and prejudices. Finally, Shelest was accused of being "self-centered and smug." ]

12 [The new Ukrainian party boss, Shcherbitsky, followed up in a speech in Kiev on 20 April on staffing problems in the republic. Many district party organizations, he said, were littered with incompetents, swindlers, and toadies. Although he did not mention Shelest by name, the criticism was clearly directed at the former party chief.]

13 [Shelest was abruptly ousted from his Ukrainian post last May and assigned to less important duties in Moscow as a deputy chairman of the USSR council of ministers. The ouster, on the eve of the visit by President Nixon, was evidently precipitated by Shelest's opposition to the visit in view of the US mining of North Vietnam harbors. Shelest's tolerance of Ukrainian nationalism and his energetic lobbying for Ukrainian economic interests, however, had already reportedly brought him into collision with some of his colleagues within the leadership. His critics appear to have concentrated on these vulnerabilities rather

than on his anti-detente tendencies. Shcherbitsky, a close protege of Brezhnev, has launched a campaign against Ukrainian nationalism and set about weeding out Shelest's supporters, particularly those with nationalist leanings.]

#### INDUSTRIAL REORGANIZATION

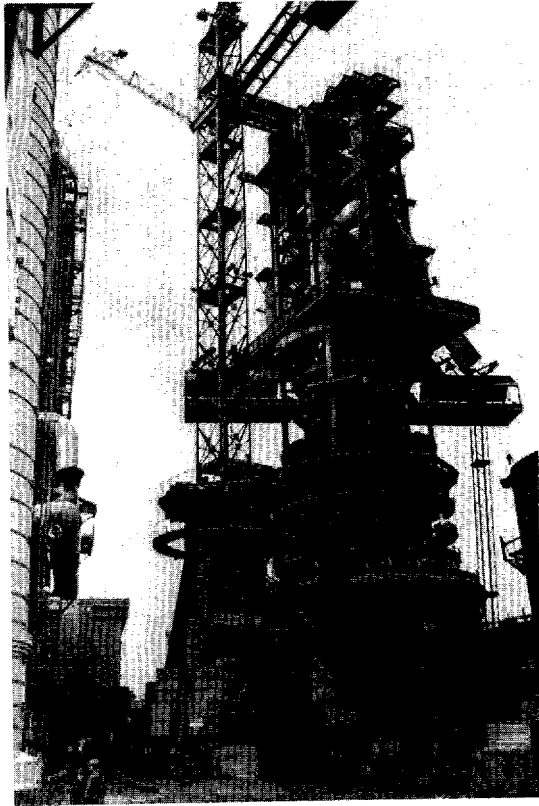
68 [The administration of Soviet industry is being reorganized for the third time in 16 years in yet another attempt to reduce bureaucracy and raise efficiency. The economy's poor performance over the last two years may have precipitated the change at this time.]

69 [As matters stand now, each Soviet industrial sector, such as the coal industry, is run by a Moscow-based ministry. Individual production enterprises within each part of industry are subordinate to the ministry or to one of the numerous "main administrations" that handle details of planning and administration. This system was reinstituted by Brezhnev and Kosygin in 1965 to replace a regionally oriented one, initiated by Khrushchev, in which primary authority was vested in regional economic councils. The regional system impeded national coordination, and there was a tendency to put local interests ahead of national policy goals. When Khrushchev's innovations died, the ministries in Moscow and their subordinate bureaucratic satraps, the main administrations, assumed control of industrial operations.]

70 [Now, a new party-government decree, published on 3 April 1973, removes primary responsibility for production planning, for introducing new technology, and for certain other aspects of industrial operations from the ministries and main administrations and places that responsibility in the hands of production associations and industrial associations. The production associations are amalgamations of related production enterprises, independent research and development facilities, and design bureaus. These new groups will absorb powers and authority formerly vested in individual enterprises. In cases where industries are geographically dispersed or contain a large number of enterprises, related production associations

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Iron and Steel Plant at Chelyabinsk

past, and a number of economically unsound combinations resulted. The new associations probably will gain little in flexibility since the industrial ministries will still hand down production targets, allocate materials, and fix prices. Moreover, the reorganization does not deal with the problems of managerial and worker incentives, which have hampered efficiency in the past.]

68 [There almost certainly will be strong resistance to the associations by ministerial bureaucracies and by enterprise managers, who will correctly see the change as a move to reduce their power and independence. The ministries have been instructed to formulate over the next six months plans to create the new industrial associations; the ministries undoubtedly will take this opportunity to bend the reorganization to their own benefit. While some local governments fear the reform will lead to a loss of control over local industrial development and sources of finance, other regional interests, such as Leningrad oblast officials, applaud the idea as a counter-balance to Moscow's influence.]

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## YUGOSLAVIA

### A BLAND VINTAGE

will be grouped into industrial associations. These will be run by a single manager responsible for the activities of all the units under his control. The ministries in Moscow will then concentrate on long-term planning and broad policy issues. The main administrations will be abolished.]

68 [Brezhnev and Kosygin hope to improve industrial efficiency by placing some decision-making power in the hands of production-oriented units instead of the ministerial bureaucracy and by taking advantage of economies of scale. Another goal is to translate research and development findings into production technology more efficiently by combining production units and independent research and development facilities.]

68 [Realization of these hopes is questionable. Production associations have been formed in the

76 [Tito's speech on 23 April to the first General Assembly of the federation was remarkable for its mildness and its stress on continuity.] The President and other Yugoslav leaders are trying to reassure foreign and domestic observers that no basic changes have been made in Yugoslavia's independent policies. US displeasure over outbursts of anti-US propaganda and negative foreign press treatment of Tito's party recentralization are apparently behind the recent, blander public line.]

75 [In discussing foreign policy, Tito made no mention of "hostile Western influences," which he has recently blamed for his internal problems. He even omitted the standard objections to the US role in Southeast Asia. He firmly denied that

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Yugoslavia was slipping into the Soviet orbit, and came down solidly in support of the goals of the "nonaligned" bloc.

On 16 April, Tito told former US ambassador Kennan that he was "disturbed" by talk in the US press that the increased party centralization is a sign he is leaning eastward. During the same week, Prime Minister Bijedic expressed similar concerns to West German Chancellor Brandt. The confidence that Tito expressed in February in the US willingness to absorb Yugoslav criticism has apparently been shaken.

On domestic affairs, Tito stuck to his demand for tighter party control, but referred favorably to a decentralization of the state apparatus. This, he said, is irreversible and will be advanced further by a second round of constitutional reforms this summer. Tito evidently hopes that the recentralized party will evolve as the primary force for national unity.

Tito's oratory lacked its usual fire and emotion. Suggestions that he might use this gathering of regime leaders to make a special announcement, possibly concerning the structure of the state presidency or his own role in the state executive, were not borne out. It may be that Tito, who will be 81 next month, would like to relinquish some of his formal powers, but lacks confidence in his subordinates' ability to control the competing nationalities in the federation.

#### THE ECONOMY'S MIXED RECORD

Belgrade's campaign to stabilize the economy has had a mixed record thus far in 1973. Efforts to hold the line on investment by enterprises and spending by the federal and republic governments have been fairly successful, but the cost of living continues to rise at an annual rate of 17 percent, and a surge in imports has swelled the trade deficit to a near-record \$392 million for the first quarter.

After achieving a balance-of-payments surplus of \$271 million last year, the government shifted its attention to the domestic economy.

The current stabilization program, begun last December, is designed to attack enterprise insolvency, which is a chronic shortage of working capital that has plagued the economy since the 1965 reforms. Thus far, the measures have slowed investment by such firms, without seriously affecting output. Industrial production, in fact, increased at the planned rate of 7.5 percent during the first quarter. Belgrade has also clamped down on too much spending by the republics, which has been a persistent problem. On the other hand, economic policy has done little to halt the rapid rise in prices and wages. Wages in unprofitable firms, programmed for a 10-percent cut at the beginning of this year, have instead continued to rise—partly because some enterprises handed out hefty bonuses shortly before the wage cuts went into effect. The trade unions have already served notice that they will demand wage hikes if the price spiral is not checked.

Despite government efforts, only a few inefficient firms have been forced out of business. The government has tried to steer more capital into enterprises by prohibiting banks from making loans for projects such as schools and hospitals and by requiring workers and party functionaries to contribute to "voluntary" stabilization loans to help bail out insolvent firms. To attract funds, the government apparently considered lowering the rate of interest on personal savings accounts.

On the trade front, the government is projecting a balance-of-payments surplus this year in the neighborhood of \$300 million—only the third since World War II. First quarter trade results cast doubt on whether a surplus will be attained. Exports were up 14 percent, but a mediocre harvest last year has forced larger-than-normal agricultural imports, and import prices have risen because of the revaluation of Western European currencies. Moreover, severe meat shortages in the domestic market have forced the government to place export controls on livestock products, which will reduce hard-currency earnings.

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## EGYPT: TROUBLE AT HOME

84 [Consumer complaints about rising prices, falling quality, inadequate housing, and the deterioration of public services have received little attention abroad but are contributing significantly to the array of problems facing President Sadat. Although sufficient quantities of food and other basic commodities are usually available through the government-controlled marketing system, shortages have occurred, some of them as a result of dealer manipulation. The government recently outlawed the apparently common practice of cornering the market on certain goods for resale at windfall profits on the thriving black market. Prices are generally high, and meat prices led to a boycott in several cities.]

84 [Complaints about the quality of goods are common. A survey recently reported in the Egyptian press found 200 of 700 products checked to be unacceptable. Coffee was adulterated, for example, and vinegar contained bits of glass. The poor quality of bread, the mainstay of the Egyptian diet, is a particularly touchy political issue, and earlier this month the government imposed new controls on bakeries.]

83 [Housing inequities are the subject of continuing debate. Many homes and apartments are in a state of decay. Official programs to build better living quarters are hampered by shortages of materials which have been diverted to "the war effort." Private investors prefer to put their money in luxury housing.]

83 [The deterioration of public services is obvious in Cairo, which now has some 2 million more inhabitants than it did in 1960. Power failures and water shortages are commonplace, and the public transportation system is inadequate. A rainstorm earlier in the year wreaked havoc with Cairo's telephone system.]

84 [Sadat acknowledges these problems, and the cabinet shuffle in March was presented to the public as part of his effort to improve living conditions. Some belt-loosening gestures to ease consumer frustrations were subsequently announced. Taxes on small landholdings were reduced, increased expenditures for commodities were allocated, and promises of better health serv-



Sadat  
*Trouble on the home front*

ices were made. Nevertheless, few Egyptians are likely to be convinced that meaningful improvements are in the offing. Actions such as a reduction in the price of woollens just as the Egyptian summer was starting will add to the public cynicism.]

84 [Egypt's lack of foreign exchange is one of the basic problems. The country is heavily dependent on imports for food, industrial materials, and heavy machinery. Cairo, which has few sources of hard-currency income, must service a huge foreign debt and has used up most available credit. Even if Egypt's problems with Israel were resolved, Cairo would still need massive foreign assistance. In the meantime the pressures on Sadat to produce tangible improvements will almost certainly intensify.]

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**SECRET****ISRAEL: MORE PUNCH FOR THE ARMY**

25X1 [Israel has improved its field artillery capabilities since the 1967 war. The army has moved  
25X1 away from light-caliber, towed artillery pieces to self-propelled weapons of a larger caliber and longer range.]

The shift reflects lessons learned in 1956, 1967, and 1970. The first two wars were characterized by quick movement of forces and rapidly changing tactical situations. In 1956, Israel's conventional wheeled artillery could not react quickly enough to be effective. Some self-propelled artillery was used in combat in 1967. The need for larger caliber artillery was felt during the "war of attrition" in 1970 when, in duels across the Suez Canal, Israel's heaviest artillery—the 155-mm. howitzer—was outranged by Egypt's 130-mm. field gun.]

The subsequent acquisition from the US of 175-mm. howitzers—the largest caliber artillery piece in the Israeli inventory—has corrected this deficiency. This weapon outranges the largest Soviet-built artillery piece believed to be in Egypt—the 203-mm. howitzer. Israel also has a variety of 155-mm. guns, including the US M109 self-propelled howitzer. In addition, the Israelis have mounted a number of their French 155-mm. howitzers on tank chassis and also have placed their 120-mm. and 160-mm. mortars on armored vehicles.

**Changing Caliber of Israeli Artillery**

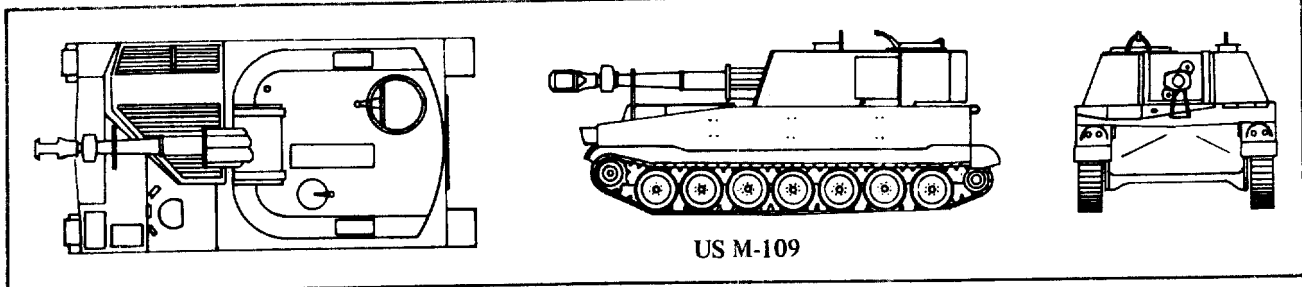
|   | 1967 % | 1973 % |
|---|--------|--------|
| Mortars (120-mm. and less)                                    | 57     | ---    |
| (120-mm. and 160-mm.)   | ---    | 36     |
| Light Artillery (122-mm. and less)                            | 35     | 12     |
| Medium and Heavy Artillery<br>(130-mm., 155-mm., and 175-mm.) | 8      | 52     |

25X1 [Israel has produced a number of 240-mm. rocket launchers, copies of Soviet equipment captured in 1967. Israel is developing a 280-mm. rocket launcher that is expected to go into service next year. The maximum range of this weapon will be at least 30 percent greater than the largest caliber US or Soviet artillery pieces now in the Middle East. It would be especially effective in breaking up concentrations of Egyptian troops preparing for operations across the Suez Canal.]

25X1 [The Israelis generally regard artillery as an offensive weapon to be used in conjunction with the armored and mechanized forces. Israeli artillery units are integrated with the forward echelons of strike forces, and artillerymen are trained to set up and fire quickly. For static, defensive situations, the Israelis are trained to fire a few rounds from one position then move quickly to a new position before firing again. This tactic is designed for another war of attrition, in which Israel would face an enemy with a greater number of guns.]

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## INDIA: SPACE PROGRAM

828 } India's failure to make satisfactory progress in its space program has forced New Delhi to turn to Moscow for assistance. The Indian program, drawn up in 1970, envisaged the launch of a 66-pound satellite in 1974. The satellite was to be orbited by a four-stage, solid-fuel launch vehicle designed and built in India. The program quickly ran into difficulties with solid propellant technology and guidance systems. At present, the launch vehicle is still in the design stage, the development of a new space launch center on the Bay of Bengal near Madras has fallen years behind schedule, and it appears that an Indian satellite launch is most unlikely until the end of the decade. }

89 } New Delhi has therefore accepted a Soviet offer to launch an Indian-built space satellite from the USSR in 1974. The particulars of the agreement with the USSR are still being worked out, but the Indians are thinking of a 550-pound scientific satellite that is being designed and built in India with Soviet technical help. Almost all components for the various sub-systems will have to be imported, mainly from the US, but some will be provided by the Soviets. Communications from the satellite will be monitored in both the Soviet Union and India. No details of the Soviet launch vehicle are yet available, but a variety of boosters—such as the SL-7 space launch system—could be used to place a payload of this size in near-earth orbit. }

90A } The program appears to be a face-saving measure for New Delhi, enabling it to fulfill earlier promises to orbit an Indian satellite in 1974. In addition to building the satellite, the Indians may gain some experience in satellite tracking and rocketry from the joint effort. The Soviet offer will do little, however, to overcome their problems in launch vehicle technology. }

88 } As a part of its over-all space program, New Delhi is planning a satellite communications experiment in which TV programs will be broadcast



**The Early Stages**  
*Assembling a space research rocket, 1968*

to some 5,000 Indian villages. The project, which is being conducted in cooperation with the US, will utilize a US-launched NASA satellite and a ground station constructed with US and UN assistance. The Indians hope to be able to build and launch their own communications satellites in the 1980s. In view of the slow progress in the development of an Indian launch vehicle, however, India's entire space program at best faces an uncertain future.

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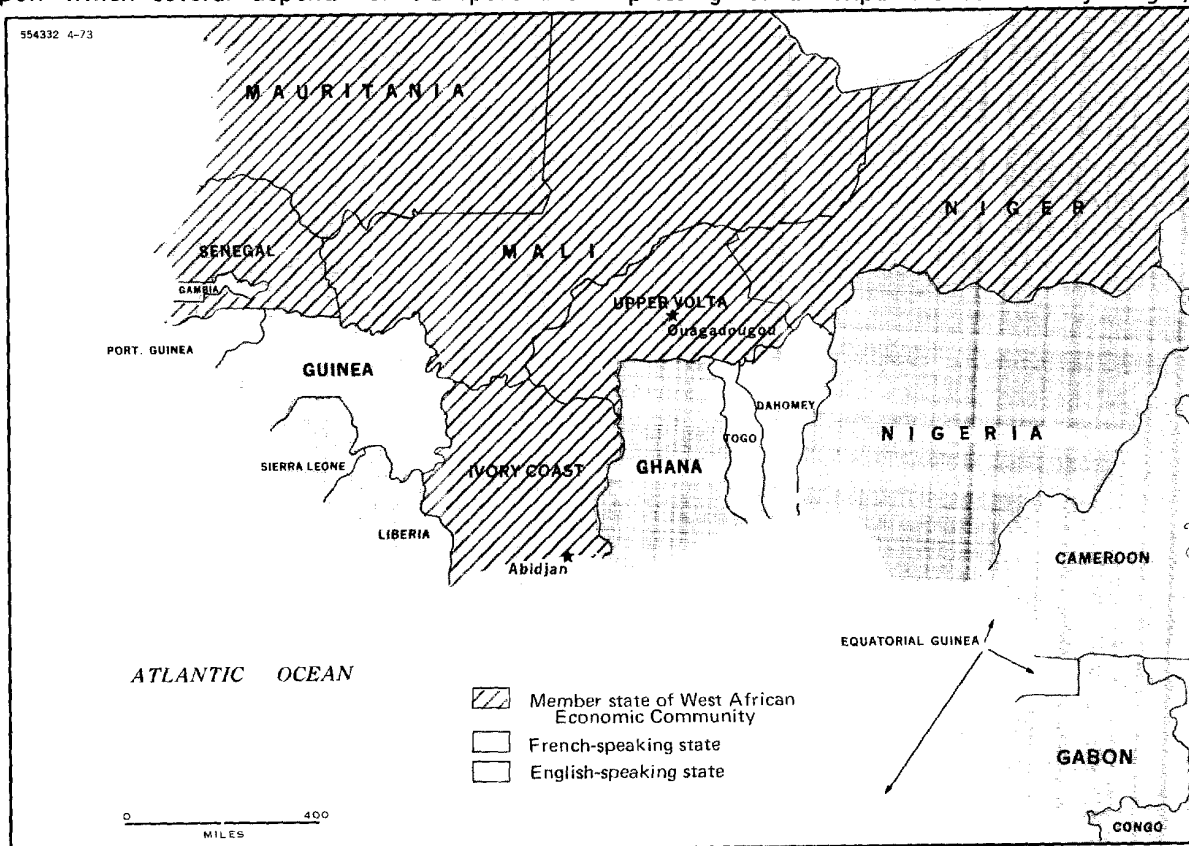
## WEST AFRICA: ECONOMIC COMMUNITY

94 The leaders of six French-speaking states in West Africa completed arrangements last week for a common market that is to start functioning next January. 93 The six states—Senegal, Mauritania, Mali, Niger, Upper Volta, and Ivory Coast—include some 25 million people. The leaders apparently hope their West African Economic Community will serve as a channel for regional assistance from aid-donor countries, including the US. 96 The new community's headquarters will be in Ouagadougou, the capital of Upper Volta; Niger's Diori will head the association for the first year. 97

98 Earlier attempts to form an economic community had failed over demands from the poorer countries that the organization be open to the area's English-speaking states, particularly Nigeria upon which several depend for transport and

trade. The wealthier states of Ivory Coast and Senegal fear that Nigeria, which has over twice the population of the new community, would dominate any regional community. The final communique called for the eventual realization of a community cutting across language barriers, but for the present, it will be limited to French-speaking states. Nigeria's General Gowon expressed his desire for "close cooperation" with the new community, but neither he nor any of the other leaders of the region's English-speaking states is really eager to become involved with what they believe will become just another Paris-dominated trade and aid association]

98 At least three members—Niger, Mali, and Upper Volta—can be counted on to continue pressing for an expanded community. Niger, in



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particular, sees its economic development as being more closely linked with Nigeria than with its French-speaking partners.) [The French-speaking states of Togo and Dahomey were represented at the founding but chose not to join, at least for now.]

95 [The poorer, land-locked states extracted concessions from Ivory Coast and Senegal in matters of aid for industries, assured low-cost transportation routes, and a preferential distribution of customs revenues. Senegal's President Senghor admitted before the meeting that numerous concessions had been made to ensure that the poorer states in the interior would take part. He revealed that Senegal and Ivory Coast each would provide \$1 million of the community's \$3 million budget.]



Abidjan, Ivory Coast  
*Where the presidents met*

#### CONGO: CHANGE FOR THE BETTER

104 [Two events this week should ease the tribal tensions that have been plaguing the country. First, security forces killed Ange Diawara, a southern extremist who has been involved in underground opposition since attempting a coup in 1972; second, the government has handed down acquittals or suspended sentences for the major figures accused last February along with Diawara of fresh plotting.]

107 [Tribal agitation, stimulated by Diawara's campaign of terrorism, had intensified on the

eve of the trials in anticipation of the harsh punishment promised earlier by Ngouabi. The court also released all of the teachers from France who were accused of aiding Diawara.]

108 [Ngouabi has been considering an initiative toward resuming ties with the US. US-Congo ties were suspended by Washington in 1965. With the anti-American Diawara now out of the way, Ngouabi may be more inclined to make his move.]

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# **ARGENTINA: SEEDS OF DISCORD**

106 [With inauguration a month away, frictions between radical and moderate Peronists and among the parties that made up Peron's election front are already beginning to create problems for president-elect Campora. The Peronist coalition won overwhelming majorities in both houses of congress, but this strength could be seriously eroded before the first piece of legislation is considered.]

107 [In a recent press conference, Rodolfo Galimberti, a Peronist youth leader, and Juan Abal Medina, the 29-year-old secretary general of the Peronist movement, put Hector Campora on notice that the radical youth wing will continue to press its hard line. They set out ten demands that dealt with such matters as amnesty for "political prisoners," investigations of torture charges against the military government, and the adoption of popular reforms. When asked if Campora had endorsed the objectives, Abal Medina said, "He will obey them."]

108 [Moderate Peronists and the military were further worried when Galimberti described the organization of an "Argentine Youth Militia." He

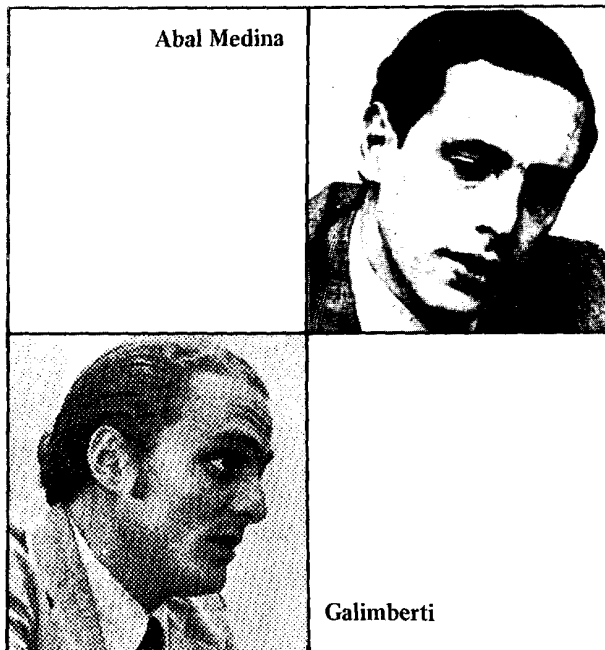
later termed these new groups "voluntary work forces," but the fear of uniformed youths on the rampage in the name of Juan Peron had been implanted.]

109 [Peronist youth were instrumental in Campora's election victory and seem bent on pushing their new-found influence to the limit. A generation gap exists in Argentina as it does elsewhere, and the goals and methods of Peronist youth are not entirely compatible with the objectives of party regulars. The trade unions, always considered the backbone of Peronism, are conservative and not especially interested in challenging the military or in creating an Argentine brand of socialism. Conflicts between youth and labor leaders will undoubtedly intensify as the Peronists attempt to work out a government program.]

110 [Meanwhile, the followers of former president Frondizi, who joined the Peronist election coalition, are getting upset.] Newspapers representing the views of the Peronists and Frondizi's party have hurled charges back and forth in the wake of Peron's recent statement that the coalition is now finished.] If Frondizi were to pull out of the coalition, it would reduce the Peronist majority in the house of deputies from 47 to 15.

111 [There is some indication that Peron's statement was misinterpreted and was actually meant to signal a Peronist effort to expand the next government's base of support. Hector Campora recently met with Radical Party leaders and representatives of other political groups and was rumored to be sounding them out on the possibility of joining his government.]

112 [These developing problems have reportedly caused Campora and Peron to cancel their scheduled round of talks in European capitals during the president-elect's current trip to Madrid. Instead, they will reportedly discuss ways to overcome current frictions in the movement.]



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## VENEZUELA: THE PEREZ EQUATION

111 Ratification of a constitutional amendment that would bar former dictator Marcos Perez Jimenez from the presidency is all but completed, but the two major parties have yet to solve the problem of how to transfer public support for Perez to their own presidential candidates. 112 The amendment, pushed by both the Caldera government and the opposition Democratic Action, has been approved by seventeen states—three more than needed. Only the formality of congressional approval remains.]



Pedro Tinoco

*A favorable impression on a former dictator*

111 Although the many parties within the *Perez-jimenista* movement have begun to offer their various leaders as a stand-in for the former dictator, they maintain that Perez is still their candidate, constitutional amendment notwithstanding. 112 Unless he says otherwise, they plan to challenge the constitutionality of the amendment in the Supreme Court. Since the case is weak and the court dominated by representatives of Democratic Action and the government party, this tactic appears to be a device for Perez to prolong his own candidacy. Subsequent loss of the court case would make him once again a martyr in the eyes of his followers.]

111 [Until Perez makes up his mind, his pre-election strategy is obviously designed to place him in a better position to maneuver and solidify support which—for a price—he could then throw to a stand-in candidate or to one of the major presidential candidates. Since the period for formal registration of candidates does not begin until 1 June, Perez will try to keep his options open, his opponents on edge, and all presidential hopefuls dangling until the last minute.]

113 [He may believe that his activities could enable a stand-in candidate to pull an upset. The one most frequently mentioned is Pedro Tinoco, former minister of finance in the Caldera government and leader of the Desarrollista Movement, an association of conservative businessmen. Perez is said to have been favorably impressed with Tinoco, whose ideas on national and international problems are close to those held by Perez. Tinoco's large financial resources and his political organization are additional factors in his favor.]

113 [Tinoco reportedly plans to meet with Perez in Madrid this weekend. A likely topic for discussion is how to exploit current political scandals. These reports have caused some military grumbling about civilian ineptitude and corruption, and may win additional support for Perez from voters who are frustrated with the present political system.]

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## MEXICO: ROUND THE WORLD

The big prizes eluded President Echeverria during his month-long world tour that ended on 26 April, but he did win promises by France and China to sign Protocol II of the Tlatelolco Treaty (banning nuclear weapons in Latin America) and a pat on the back from Moscow and Peking for his proposed charter of economic rights and duties for nations.

In Canada, his first stop, he drew a flat no from Trudeau to his suggestion that a UN Security Council seat should be given to a Third World nation. Echeverria harped on his charter of economic rights and duties, which he intends to place before the UN this fall. According to the usually laudatory Mexican press, he sold the Canadians on the charter, but Ottawa officially expressed grave doubts about the charter's efficacy. Only when Echeverria mentioned controls over foreign investment and multinational companies was Ottawa in full agreement.

In Britain, France, and Belgium, where he talked with the EC Commission, Echeverria made a strong pitch for increased trade and foreign investment. The hosts were ready to respond with minor exchanges, but they clearly do not have as grandiose a view of business possibilities as the Mexicans. British Foreign Secretary Douglas-Home made the mistake of asking Echeverria about "this charter of yours," and was treated to a wearing monologue by the Mexican President about the inequalities of the world economic system. Both British and Belgian leaders privately expressed reservations to Echeverria about the charter.

When France does sign the Tlatelolco Treaty protocol, it will do so "with interpretations" aimed at ensuring continued flights over Panama by French aircraft carrying nuclear components to the Pacific test sites. China will also hedge; it declared that its signing will not prejudice its opposition to the non-proliferation and test ban

Mao and Echeverria



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130A treaties. Of the nuclear powers, only the USSR now has not signed or promised to sign Mexico's treaty.]

128 [The Moscow stop did produce some modest results. A trade agreement was signed, and the two sides pledged to revive a scientific and cultural exchange that has been a dead letter since it was signed in 1968. Moscow also endorsed the concept of Echeverria's charter. But there was no agreement on the denuclearization issue.]  
 129 [a subject that Echeverria pushed hard at each stop on the trip. The Mexican President is said to have been annoyed at the heavy "ideological" dosage administered to him by the Soviets. He emphasized privately that the Soviet system has no attraction for Mexico.]

130 [Echeverria will probably consider the week in China the high point of the trip. He talked with Mao for 90 minutes and met four times with Chou En-lai. Besides the statement on the Tlatelolco Treaty,] [Peking readily agreed to promote the charter,] [signed a trade agreement, and agreed to cultural, scientific, and technical exchanges during the next year.]

130A [The government and the press are busily portraying the trip as a rousing success. The few tangible gains are emphasized, the disappointments ignored. For Echeverria, the trip will boost his image at home as a leader independent of great power—i.e., US—influence. The reaction from "Third World" countries, whose causes Echeverria heartily espoused, is likely to be less enthusiastic.]

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